



State of Utah
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL, GAS AND MINING

Michael O. Leavitt
Governor

Kathleen Clarke
Executive Director

Lowell P. Braxton
Division Director

1594 West North Temple, Suite 1210

PO Box 145801

Salt Lake City, Utah 84114-5801

801-538-5340

801-359-3940 (Fax)

801-538-7223 (TDD)

April 7, 2000

Pat Gochnour
Gochnour & Associates, Inc.
5231 South Quebec
Greenwood Village, Colorado 80111

Re: Approval of Exploration Amendment Within Large Mine Permit Area, Lisbon Valley Mining Company LLC, Summo USA Corporation, Lisbon Valley Copper Project, M/037/088 (UTU-72499, ML-20569), San Juan County, Utah

Dear Mr. Gochnour:

The Division has reviewed the exploration proposal dated March 20, 2000, submitted on behalf of Summo USA Corporation. All of the proposed work is within the large mine permit area. All of the proposed work is located on state leased land in the N1/2 of Section 36, T30S, R25E, SLBM. The proposal describes 51 drill holes and drill pads, 1,040 feet of overland tracking without blading, and 3,160 feet of bladed access roads. Some drill sites will be accessed by trails and roads which were existing or created by the previous phase of exploration drilling. Total estimated disturbance for this exploration proposal is 2.30 acres. Please note that the latest Exploration Project map identified two drill hole locations as site number 39, and no hole was identified as number 37.

The Minerals Rules categorize this proposal as an amendment to an existing large mine operation notice of intention even though the work proposed is only for exploratory drilling. **The information provided in this submission satisfies the Division's requirements for a large mine operation permit amendment.**

The Division has reviewed the reclamation cost estimate provided in this submission. The unit costs used in this estimate are the same as the unit costs in the previously approved amendment. The Division has adjusted the cost estimate provided by Summo to include five years of escalation giving a \$18,500 surety amount for this amendment. The Division received a completed Reclamation Contract and Surety Bond Rider on April 4, 2000. The rider increases the surety amount by \$20,000 and also amends Attachment A to include a revised legal description for the latest drilling proposal. All other conditions of the surety remain the same. The Division has reviewed these documents and found them to be acceptable.

On April 7, 2000, the Division Director signed the replacement Reclamation Contract. **The Division hereby approves of this amendment and Summo may begin work on this latest exploration proposal at your earliest convenience.** Enclosed are copies of the signed and executed Reclamation

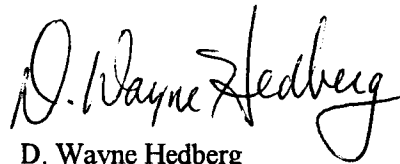
Page 2
Pat Gochmour
M/037/088
April 7, 2000

Contract and the Surety Rider. Also enclosed is the existing Reclamation Contract with the effective date of February 11, 2000 for your disposal.

We have received a copy of the March 20, 2000, letter to Summo from the School and Institutional Trust Lands Administration offering their agency's approval of this exploration proposal upon satisfactorily meeting the reclamation bonding requirements to be determined by the Division. Although this particular exploration proposal will not involve BLM managed lands, the Division has provided a courtesy copy of this letter to the Moab BLM office to keep their file for the plan of operations current.

If you require additional information please contact me at (801) 538-5286, or Tony Gallegos at (801) 538-5267. Thank you for your cooperation in completing this permitting action.

Sincerely,



D. Wayne Hedberg
Permit Supervisor
Minerals Reclamation Program

jb

Attachment: Division escalation calculation

Enclosure: replacement MR-RC & surety rider, MR-RC dated 2/11/00

cc: Bob Prescott, Summo, Moab Office w/
Will Stokes, SITLA w/MR-RC & surety rider
Bill Stringer, BLM Moab FO w/MR-RC & surety rider
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SURETY ESTIMATE UPDATE**Lisbon Valley Copper Co. LLC; Summo USA Corp.****M/0378****Lisbon Valley Copper Project San Juan County****(UTU-72499, ML-20569)****Prepared by Utah Division of Oil, Gas & Mining****last revision 27-Mar-2000****DESCRIPTION:**

- This surety update is for the March 14, 2000, large mine amendment ONLY.
- This amendment proposes additional exploratory drilling within the LMO permit boundary.
- This amendment proposes 51 drill holes and is estimated to disturbed 2.30 acres.
- This amendment will create additional disturbances on SITLA land ONLY.
- This cost estimate submitted by Summo uses unit costs taken from the 12/20/99 amendment.
- Summo's reclamation cost estimate is \$15,750 in terms of current dollars.
- This update adjusts the cost estimate for this amendment ONLY.
- This update adjusts the amendment cost estimate for escalation only.
- Escalation factors through 1998 are actual Means Historical Cost Indices
- Amendment disturbed area = **2.3 ACRES**

<u>CALCULATIONS</u>	<u>YR</u>	<u>ESCAL FACTOR</u>	<u>BOND AMOUNT</u>
	1994	0.0321	\$0
	1995	0.0193	\$0
$F = P(1 + i)^{**n}$	1996	0.0242	\$0
	1997	0.0236	\$0
F = Future Sum	1998	0.0502	\$0
P = Present Sum	1999	0.0327	\$0
i = Escalation Factor	2000	0.0327	\$15,750
n = number of periods	2001	0.0327	\$16,265
	2002	0.0327	\$16,797
Three Yr Average = 3.27%	2003	0.0327	\$17,346
Used to Project 5 Yrs	2004	0.0327	\$17,913
From the Year 1999	2005	0.0327	\$18,499

Updated Surety Amount Rounded (2005-\$)	\$18,500
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Average cost per acre =	\$8,043 (\$/ACRE)
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Average cost per drill hole =	\$363 (\$/DRILL HOLE)
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FORM MR-RC
Revised January 7, 1999
RECLAMATION CONTRACT

File Number M/037/088

Effective Date April 7, 2000

Other Agency File Number SITCA-ML 20569
BLM-UTU-72499

STATE OF UTAH
DEPARTMENT OF NATURAL RESOURCES
DIVISION of OIL, GAS and MINING
1594 West North Temple Suite 1210
Box 145801
Salt Lake City, Utah 84114-5801
(801) 538-5291
Fax: (801) 359-3940

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RECLAMATION CONTRACT

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DIVISION OF
OIL, GAS AND MINING

For the purpose of this RECLAMATION CONTRACT the terms below are defined as follows:

"NOTICE OF INTENTION" (NOI): (File No.)	<u>M/037/088</u>
(Mineral Mined)	<u>Copper</u>
"MINE LOCATION":	
(Name of Mine)	<u>Lisbon Valley Copper Project</u>
(Description)	<u>18 miles south of La Sal, Utah</u>
	<u>San Juan County</u>
"DISTURBED AREA":	
(Disturbed Acres)	<u>6.72 total (increase of 2.3 acres)</u>
(Legal Description)	<u>(refer to Attachment "A")</u>
"OPERATOR":	<u>Summo USA Corporation</u>
(Company or Name)	<u>Lisbon Valley Mining Co. LLC</u>
(Address)	<u>by: Summo USA Corporation - Manager</u>
	<u>Denver Center Bldg., Suite 900</u>
	<u>1776 Lincoln Street</u>
	<u>Denver, CO 80203</u>
(Phone)	<u>303-861-5400</u>

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"OPERATOR'S REGISTERED AGENT":

(Name)
(Address)

(Phone)

DIVISION OF
OIL, GAS AND MINING
CT Corporation
50 West Broadway
8th Floor
Salt Lake City, Utah 84104
801-531-7090

"OPERATOR'S OFFICER(S)":

Greg Hahn - President
Robert Prescott - Vice President
James Frank - V.P. Finance & CFO

"SURETY":

(Form of Surety - Attachment B)

Surety Bond - w/Rider

"SURETY COMPANY":

(Name, Policy or Acct. No.)

United States Fidelity and
Guaranty Co.

"SURETY AMOUNT":

(Escalated Dollars)

* \$97,066 (increase of \$20,000)

"ESCALATION YEAR":

2005

"STATE":

State of Utah

"DIVISION":

Division of Oil, Gas and Mining

"BOARD":

Board of Oil, Gas and Mining

ATTACHMENTS:

A "DISTURBED AREA":

B "SURETY":

This Reclamation Contract (hereinafter referred to as "Contract") is entered into between Lisbon Valley Mining Co. LLC & Summo USA Corp. the "Operator" and the Utah State Division of Oil, Gas and Mining ("Division").

WHEREAS, Operator desires to conduct mining operations under Notice of Intention (NOI) File No. M/037/088 which has been approved by the Utah State Division of Oil, Gas and Mining under the Utah Mined Land Reclamation Act, Sections 40-8-1 et seq., Utah Code Annotated, (1953, as amended) (hereinafter referred to as "Act") and implementing rules; and

WHEREAS, Operator is obligated to reclaim that area described as the Disturbed Area as set forth and in accordance with Operator's approved Reclamation Plan, and Operator is obligated to provide surety in form and amount approved by the Division, to assure reclamation of the Disturbed Area.

NOW, THEREFORE, the Division and the Operator agree as follows:

1. Operator agrees to conduct reclamation of the Disturbed Area in accordance with the Act and implementing regulations, the original Notice of Intention dated August 8, 1995, and the original Reclamation Plan dated August 8, 1995. The Notice of Intention as amended, and the Reclamation Plan, as amended, are incorporated by this reference and made a part hereof.
2. Concurrent with the execution hereof, Operator has provided surety to assure that reclamation is conducted, in form and amount acceptable to the Division. Such surety as evidenced by the Surety Contract is in the form of the surety attached hereto as Attachment B and made a part hereof. The Surety Contract shall remain in full force and effect according to its terms unless modified by the Division in writing. If the Surety Contract expressly provides for cancellation, then, within 60 days following the Division's receipt of notice that the Surety Company intends to cancel the Surety Contract, the Operator shall provide a replacement Surety Contract in a form and amount reasonably acceptable to the Division. If the Operator fails to provide an acceptable replacement Surety Contract, the Division may order the Operator to cease further mining activities and to begin immediate reclamation of the Disturbed Area.
3. Operator agrees to pay legally determined public liability and property damage claims resulting from mining to the extent provided in Section 40-8-7(1)(e) of the Act.
4. Operator agrees to perform all duties and fulfill all reclamation requirements applicable to the mine as required by the Act and implementing rules, the Notice of Intention, as amended and the Reclamation Plan, as amended.
5. The Operator's liability under this Contract shall continue in full force and effect until the Division certifies that the Operator has reclaimed the Disturbed Area in accordance with the Act and implementing rules, the Notice of Intention, as amended and the Reclamation Plan, as amended.
6. If reclamation of discrete sections of the Disturbed Area is completed to the satisfaction of the Division, and the Division finds that such sections are severable from the remainder of the Disturbed Area, Operator may request the Division to certify that Operator has reclaimed such discrete sections of the Disturbed Area in accordance with the Act and Implementing rules, the Notice of Intention, as amended and the Reclamation Plan, as amended. If the Division makes such certification, Operator may make request to the Division that the aggregate face

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DIVISION OF
CIVIL AND MINING

amount of the Surety Contract provided pursuant to paragraph 2 be reduced to an amount necessary to provide for completion of the remaining reclamation. The Division shall hear Operator's request for such reduction in accordance with the Board's Procedural Rules concerning requests for Agency Action.

7. Operator agrees to indemnify and hold harmless the State, Board and the Division from any claim, demand, liability, cost, charge, suit, or obligation of whatsoever nature arising from the failure of Operator or Operator's agents and employees, or contractors to comply with this Contract.
8. Operator may, at any time, submit a request to the Division to substitute surety. The Division may approve such substitution if the substitute surety meets the requirements of the Act and the implementing rules.
9. This Contract shall be governed and construed in accordance with the laws of the State of Utah.
10. If Operator shall default in the performance of its obligations hereunder, Operator agrees to pay all costs and expenses, including reasonable attorney's fees and costs incurred by the Division and/or the Board in the enforcement of this Contract.
11. Any breach that the Division finds to be material of the provisions of this Contract by Operator may, at the discretion of the Division, result in an order to cease mining operations. After opportunity for notice and hearing, the Board of Oil, Gas and Mining may enter an order to revoke the Notice of Intention, order reclamation, or order forfeiture of the Surety Contract, or take such other action as is authorized by law.
12. In the event of forfeiture of the Surety Contract, Operator shall be liable for any additional costs in excess of the surety amount which are required to comply with this Contract. Any excess monies resulting from forfeiture of the Surety Contract, upon completion of reclamation and compliance with this Contract, shall be returned to the rightful claimant.
13. This Contract including the Notice of Intention, as amended and the Reclamation Plan, as amended, represents the entire agreement of the parties involved, and any modification must be approved in writing by the parties involved.
14. Each signatory below represents that he/she is authorized to execute this Contract on behalf of the named party.

OPERATOR:

Lisbon Valley Mining Co. LLC
by: Summo USA Corporation - Manager
Operator Name

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DIVISION OF
OIL, GAS AND MINING

By James D. Frank
Authorized Officer (Typed or Printed)

Vice President - Finance & CFO
Authorized Officer - Position

X James D. Frank
Officer's Signature

X 4/3/00
Date

STATE OF Colorado)
COUNTY OF Denver) ss:

On the 3rd day of April, 19 2000, personally
appeared before me James D. Frank who being by
me duly sworn did say that he/she, the said James D. Frank
is the Vice President & CFO of Summo USA Corp. - Manager of Lisbon
and duly acknowledged that said instrument was signed on behalf of said company Valley Mining
by authority of its bylaws or a resolution of its board of directors and said
James D. Frank duly acknowledged to me that said
company executed the same.

Michelle Hebert
Notary Public
Residing at: Lakewood, Colorado

My Commission Expires: March 18, 2003

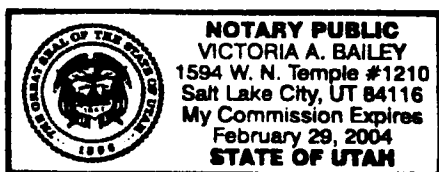
DIVISION OF OIL, GAS AND MINING:

By Lowell P. Braxton
Lowell P. Braxton, Director

Date 4/7/00

STATE OF Utah
COUNTY OF Salt Lake) ss:

On the 7th day of April, 19 2000,
personally appeared before me Lowell P. Braxton, who being
duly sworn did say that he/~~she~~, the said Lowell P. Braxton
is the Director of the Division of Oil, Gas and Mining, Department of Natural Resources,
State of Utah, and he/~~she~~ duly acknowledged to me that he/~~she~~ executed the foregoing
document by authority of law on behalf of the State of Utah.



Victoria A. Bailey
Notary Public
Residing at: Salt Lake City, Utah

February 29, 2004
My Commission Expires:

ATTACHMENT "A"

<u>Lisbon Valley Mining Co. LLC</u> <u>by: Summo USA Corporation - Manager</u>	<u>Lisbon Valley Copper Project</u>
Operator	Mine Name
<u>M/037/088</u>	<u>San Juan</u> County, Utah
Permit Number	

The legal description of lands to be disturbed is:

Approximately 2.57 acres from exploration drilling and monitoring wells located within:

Township 30 South, Range 25 East

SE 1/4 and SW 1/4, Section 25

NE 1/4, Section 26

NE 1/4, Section 35

NW 1/4, Section 36

Township 31 South, Range 26 East

NE 1/4, Section 5

Township 31, South, Range 25 East

NE 1/4, Section 1

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As described in the 1/19/99 "Well Locations" map.

As amended to include approximately 1.02 acres from exploration drilling within:

Township 30 South, Range 25 East

NW 1/4 NW 1/4, Section 36

NE 1/4 NE 1/4, Section 35

As described in the August 12, 1999 "Attachment 1" map.

As amended to include approximately 0.825 acres from exploration drilling within:

Township 30 South, Range 25 East

NW 1/4 and NE 1/4, Section 36

As described in the December 20, 1999 "Attachment 1" map.

ATTACHMENT "A"

Lisbon Valley Mining Co. LLC
by: Summo USA Corporation - Manager Lisbon Valley Copper Project
Operator Mine Name
M/037/088 San Juan County, Utah
Permit Number

The legal description of lands to be disturbed is:

As amended to include approximately 2.3 acres from exploration drilling within:

Township 30 South, Range 25 East
N1/2 of Section 36 (State Trust Land - Mineral Lease
#20569)

As described in the March 14, 2000 "Attachment 1" map.

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DIVISION OF
OIL, GAS AND MINING

ATTACHMENT B

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DIVISION OF
OIL, GAS AND MINING

SURETY BOND RIDER

To be attached to Bond Number _____ issued by:

United States Fidelity and Guaranty Company

(as Surety)

In the amount of SEVENTY SEVEN THOUSAND SIXTY SIX DOLLARS AND 00/100
(\$77,066.00)

Effective the 2ND day of JULY 19 97

ON BEHALF OF LISBON VALLEY MINING COMPANY LLC

IN FAVOR OF STATE OF UTAH, DIVISION OF OIL, GAS AND MINING, AND THE U.S.
DEPARTMENT OF THE INTERIOR - BLM AND THE SCHOOL AND INSTITUTIONAL
TRUST LANDS ADMINISTRATION

In consideration of the premium charged for the attached bond, it is mutually understood and agreed by the Principal and the Surety that the amount shall be modified to read as follows:

The above said bond amount shall be increased/decreased from the above to:

NINETY SEVEN THOUSAND SIXTY SIX DOLLARS AND 00/100	(\$97,066.00)
A DIFFERENCE OF TWENTY THOUSAND DOLLARS AND 00/100	(\$20,000.00)

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DIVISION OF
OIL, GAS AND MINING

All other items, limitations and conditions of said bond except as herein expressly modified shall remain unchanged.

This rider shall be effective as of the 28TH day of MARCH ~~19~~ 2000

Signed, sealed and dated this 28TH day of MARCH ~~19~~ 2000

SEAL

LISBON VALLEY MINING COMPANY LLC

By: Gregory A. Hahn, President

SEAL

UNITED STATES FIDELITY AND GUARANTY COMPANY

Vivienne Douglas
VIVIENNE DOUGLAS, Attorney-in-Fact

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United States Fidelity and Guaranty Company

Power of Attorney

No. 110405

APR 04 2000

DIVISION OF
OIL, GAS AND MINING

Know all men by these presents: That **United States Fidelity and Guaranty Company**, a corporation organized and existing under the laws of the State of Maryland and having its principal office at the City of Baltimore, in the State of Maryland, does hereby constitute and appoint **Gary E. Smith, Ray A. Leonard, Vivienne Douglas and Connie S. Kerr**

of the City of **Denver**, State of **Colorado** its true and lawful Attorney(s)-in-Fact, each in their separate capacity if more than one is named above, to sign its name as surety to, and to execute, seal and acknowledge any and all bonds, undertakings, contracts and other written instruments in the nature thereof on behalf of the Company in its business of guaranteeing the fidelity of persons; guaranteeing the performance of contracts; and executing or guaranteeing bonds and undertakings required or permitted in any actions or proceedings allowed by law.

In Witness Whereof, the said **United States Fidelity and Guaranty Company**, has caused this instrument to be sealed with its corporate seal, duly attested by the signatures of its Vice President and Assistant Secretary, this 13th day of June, A.D. 1997.



United States Fidelity and Guaranty Company.

(Signed) By Gary E. Smith
Vice President

(Signed) By Thomas E. Huibregtse
Assistant Secretary

State of Maryland)

Baltimore City)

SS:

On this 13th day of June, A.D. 1997, before me personally came Gary A. Wilson, Vice President of **United States Fidelity and Guaranty Company**, and Thomas E. Huibregtse, Assistant Secretary of said Company, with both of whom I am personally acquainted, who being by me severally duly sworn, said, that they, the said Gary A. Wilson and Thomas E. Huibregtse were respectively the Vice President and the Assistant Secretary of the said **United States Fidelity and Guaranty Company**, the corporation described in and which executed the foregoing Power of Attorney; that they each knew the seal of said corporation; that the seal affixed to said Power of Attorney was such corporate seal, that it was so affixed by order of the Board of Directors of said corporation, and that they signed their names thereto by like order as Vice President and Assistant Secretary, respectively, of the Company.

My Commission expires the 1st day of August, A.D. 1998.



(Signed) By Thomas E. Huibregtse
Notary Public

This Power of Attorney is granted under and by authority of the following Resolutions adopted by the Board of Directors of the **United States Fidelity and Guaranty Company** on September 24, 1992:

Resolved, that in connection with the fidelity and surety insurance business of the Company, all bonds, undertakings, contracts and other instruments relating to said business may be signed, executed, and acknowledged by persons or entities appointed as Attorney(s)-in-Fact pursuant to a Power of Attorney issued in accordance with these resolutions. Said Power(s) of Attorney for and on behalf of the Company may and shall be executed in the name and on behalf of the Company, either by the Chairman, or the President, or an Executive Vice President, or a Senior Vice President, or a Vice President or an Assistant Vice President, jointly with the Secretary or an Assistant Secretary, under their respective designations. The signature of such officers may be engraved, printed or lithographed. The signature of each of the foregoing officers and the seal of the Company may be affixed by facsimile to any Power of Attorney or to any certificate relating thereto appointing Attorney(s)-in-Fact for purposes only of executing and attesting bonds and undertakings and other writings obligatory in the nature thereof, and subject to any limitations set forth therein, any such Power of Attorney or certificate bearing such facsimile signature or facsimile seal shall be valid and binding upon the Company and any such power so executed and certified by such facsimile signature and facsimile seal shall be valid and binding upon the Company with respect to any bond or undertaking to which it is validly attached.

Resolved, That Attorney(s)-in-Fact shall have the power and authority, and, in any case, subject to the terms and limitations of the Power of Attorney issued to them, to execute and deliver on behalf of the Company and to attach the seal of the Company to any and all bonds and undertakings, and other writings obligatory in the nature thereof, and any such instrument executed by such Attorney(s)-in-Fact shall be as binding upon the Company as if signed by an Executive Officer and sealed and attested to by the Secretary of the Company.

I, Thomas E. Huibregtse, an Assistant Secretary of the **United States Fidelity and Guaranty Company**, do hereby certify that the foregoing are true excerpts from the Resolutions of the said Company as adopted by its Board of Directors on September 24, 1992 and that these Resolutions are in full force and effect.

I, the undersigned Assistant Secretary of the **United States Fidelity and Guaranty Company**, do hereby certify that the foregoing Power of Attorney is in full force and effect and has not been revoked.

In Testimony Whereof, I have hereunto set my hand and the seal of the **United States Fidelity and Guaranty Company**, on this 28TH day of MARCH, A.D. 2000.



Thomas E. Huibregtse
Assistant Secretary